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AUTHOR Hansen, W. Lee
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ABSTRACT

Reasons for the increasing numbers of independent college students are considered, with attention to the provision for independent students in the Basic Educational Opportunity Grant (Pell) program. The availability of grants to independent students may have two consequences: college students under age 22 with access to parental resources might take steps to gain independent status; and individuals over 25 who have not attended college might enter higher education. In classifying independent students, California examines the students' situation in the current and 3 preceding years, in contrast to information on only the current and prior year that is used by the federal government to determine eligibility for Pell grants. The extent that enrolled students shift from dependent to independent status is assessed, based on data from the California Survey of Student Expenditures and Resources for 1979-1983, and longitudinal data for freshmen entering the University of Wisconsin System in fall 1979. Based on the limited available evidence, it is concluded that the incentives for students under age 25 to change their status are not that substantial. Reasons for the growth of students over age 25 need to be explored. (SW)

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About the Author

W. Lee Hansen is a faculty member in the Departments of Economics and of Educational Policy Studies.

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A major surprise in the evaluation of the federal student financial aid programs is the rapid increase in grant recipients who are classified as independent students. When federal student aid grants were first proposed in the late 1960s, little or no attention was given to students who did not have access to parental resources to help finance their college attendance. But with the accelerating push by young people in the early 1970s toward greater independence from their parents, combined with the explicit provision for independent students in the Basic Educational Opportunity Grant (BEOG) program established in 1972, the number and proportion of independent students grew rapidly. By 1983-84 almost 46 percent of Pell grant (formerly BEOG) recipients were classified as independent.

These developments raise a series of questions that this paper seeks to explore. What accounts for the substantial and unexpected growth in the number of independent students? Has the growth of independent students been in part at least a response to the availability of financial aid? To what extent have students improperly claimed to be independent in order to increase the amount of financial aid they receive? Finally, how might alterations in the definition of independent students slow their growth?

As background, the definition of independence should be reviewed. To be classified as independent students and to qualify for need-based financial aid awards, students must meet three criteria that apply to both the current year and the prior calendar year: the residency rule requires that they not have lived at the home of their parents or legal guardian for more than 6 weeks; the financial support rule requires that they not have accepted more than $750 per year from their parents or legal guardian; and the tax dependency rule that they not have been declared in either year as a dependent on the tax form of their parent or legal guardian. Students who do not meet all three of these rules for both years are automatically classified as dependent students. The information for making this determination is provided by students, perhaps in consultation with their parents, in their financial aid application forms. As should be apparent, only the tax dependency rule is verifiable by inspection of the income tax forms of parents.

Incentive Effects of Independence

Establishment of the independent, or self-supporting, student category not only defines who might be entitled to be classified as independent for purposes of allocating financial aid but also offers new opportunities to people who could qualify as independent students. Many of the responses are quite predictable, including the incentive effects on students and their parents, the impact on the student financial aid budget, and the implications of these two effects for access and choice (Hansen, 1974; Hansen & Lampman, 1974, 1983).

Consider first the several possible effects. First, as the numbers of independent students increase and they are found to qualify

for financial aid, the call on financial aid funds will increase not only because of the larger number of eligibles but also because typically independent students demonstrate greater financial need than do dependent students. This is simply a function of the formulas for allocating financial aid to these two different groups of students. These formulas reflect the expectation that parents of dependent students will contribute to the college costs of their offspring and that parents of independent students will not. Second, the availability of financial aid for independent students is likely to increase the number of independent students because the opportunity to receive financial aid will attract into college people who for whatever reasons do not, or did not, avail themselves of the possibilities of attending college. Third, the first and second effects are likely to interact to produce a further increase in the demand for aid funds and the number of independent students. This occurs as some already enrolled dependent students seek to change their status from dependent to independent because of the possibility of securing or augmenting their financial aid awards.

The budgetary effects are quite understandable. To the extent that the number of independent students grows, some previously dependent students switch their status, and the total amount of financial aid funds available remains fixed, the average size of awards must be reduced or some method must be devised to ration the awards if their levels are to be maintained. Should the average size of awards be reduced, the effectiveness of financial aid in attracting additional young people into college and retaining those already enrolled diminishes because fewer of either group will be able to meet

their college costs. If average award size is held constant and other methods are devised to restrict the number of awards given out, we are left with the question of which students and prospective students should be precluded from receiving aid and very probably from attending college.

The fact that larger amounts of financial aid became available to students after they are reclassified from dependent to independent status, particularly if they are from affluent families, may well induce some dependent students, perhaps in collaboration with their parents, to try to shift into the independent student category. The more easily this can be accomplished, the more likely that more dependent students will take advantage of this opportunity. Reclassification from dependent to independent student status is advantageous to both students and parents because it spares them some of the costs of college. The costs of such a change to parents are relatively minor, being the loss of the value of the income tax exemption for a student dependent. Students are denied the opportunity to spend more than six weeks living at home or to receive more than $750 per year from their parents. These costs to students are not negligible. At the same time it is relatively easy for parents to provide noncash transfers in an effort to evade the financial support rule. And it is not unlikely that some applicants supply incorrect information in an effort to qualify as independent students.

Any substantial amount of reclassification may produce some larger social costs as word of the feasibility of shifting to independent status becomes more widely known. The general public is

likely to become disillusioned with this "abuse" of financial aid. This dillusionment is likely to be quite serious if large numbers of students from higher income families shift their status to cash in on student aid. The public reaction could easily lead to less generous support for student financial aid programs.

For all of these reasons the definition of independence and the formulas used to determine the size of financial aid awards for independent students play a key role in affecting the overall demand for financial aid funds and the allocation of these funds among different groups of students. This, in turn, influences the extent to which financial aid funds increase access and facilitate choice in higher education.

The purpose of this paper, then, is to learn more about these issues. We first set out a framework for viewing the behavioral responses to the establishment of student financial aid grants and then examine the characteristics of student financial aid programs that encourage the responses already discussed. Utilizing data from a large survey of students for a single state, we estimate by how much the size of the independent student group changes as the elements of the definition of independence are varied. Utilizing longitudinal data from the University of Wisconsin System we track the frequency of shifts from dependent to independent status for a cohort of freshmen as they proceed through college. We also include other "evidence" on the potential dimensions of the problem. Finally, we take a closer look at the growth of independent students among those age 25 and over.

Background

The growth in the independent student population is a phenomenon that few experts would have predicted back in the early 1970s, even if anyone had had the foresight to speculate about this possibility. As the BEOG (later Pell) program phased into operation from 1973-74 to 1976-77, the number of independent aid grant recipients increased rapidly. Whether this growth had been anticipated when the program was designed is less clear. The Congressional hearings and extensive commentary on the 1972 amendments to the Higher Education Act of 1965 indicate quite clearly that the focus of BEOG was on helping academically able young people from the traditional college-age population and particularly those from lower income families to attend college. Because some youths in this population did not have access to parental resources to help finance their college studies, the independent student category was established to deal with this presumably small group of students. The initial financing of the student grant program appears to have been pedicated on this same view, that it was targeted on the typical college-age population.

The sharp explosion in the number of independent students receiving BEOG/Pell grants is shown in Table 1. The proportion of independent students among the over 0.5 million recipients was 14 percent in 1974-75 when the program got underway. By 1976-77 when the program had been fully phased in, 25 percent of the 1.4 million recipients were independent students. Just a year later the percentage jumped to 38 percent of the almost unchanged number of total grant recipients. After a brief period of stability, the upward climb continued, rising from 41 percent in 1980-81, to 46 percent in

Table 1

Independent Students and Total Students Receiving BEOG/Pell Grants, and Independent Students as A Percentage of All BEOG/Pell Grant Recipients, 1974-75 to 1984-85

Academic Year	Number (thos.) Independent	Total	Independent as a Percent of Total
1974-75	76.0	543.0	14.0
1975-76	-	-	-
1976-77	351.1	1410.0	24.9
1977-78	710.1	1846.1	38.5
1978-79	674.3	1836.8	36.7
1979-80	857.0	2538.9	33.8
1980-81	1098.9	2707.9	40.6
1981-82	1134.5	2709.1	41.9
1982-83	1149.9	2522.7	45.6
1983-84	1309.1	2758.9	47.6
1984-85	n.a	n.a	50+(est.)

Source: 1974-75: Frank J. Atelsek and Irene L. Gomberg, Student assistance: Programs and Participants, 1974-75, American Council on Education, December 1975, Table 5, p. 19.
1976-77: Frank J. Atelsek and Irene L. Gomberg, Estimated Number of Student Aid Recipients, 1976-77, American Council on Education, September 1977, Table 6, p. 16.
1977-78 through 1983-84: BEOG/Pell Grant, End of Year Reports, Unpublished, Department of Education Reports.
1984-85: Unpublished Department of Education data, cited in New York Times, March 23, 1985.

1982-83, to 47 percent in 1983-84, and unofficially to over 50 percent in 1984-85.

What explains this pattern of growth? We begin by examining the variety of possible responses to the availability of federal student aid grants for independent students. Consider first the traditional college-age population. Some young people from this group not attending college, because they do not have access to parental resources, would automatically qualify as independent students, become eligible to receive financial aid grants, and as a result decide to attend college. This is exactly what the provision for independent students was designed to accomplish. The effect is to increase total enrollments in colleges and universities by utilizing grant funds to attract targeted populations into higher education.

Another group of young people already attending college, with access to parental resources and classified as dependent students, might be encouraged by the availability of grants (or even larger grants) to take steps to gain independent status for themselves. The likelihood of this response received considerable attention in the late 1970s Carnegie Council report on student aid (Carnegie, 1979). Such a response would not affect overall enrollment levels but would increase the demand for funds beyond the amount estimated for the primary target group of the truly independent. This means, as a result, that if student aid funds had been sufficient to provide grants to all "deserving" independent students, the addition of this second student group would necessitate scaling down average grant size. The longer term implications of such an adjustment are obvious; first, some young people would be discouraged from attending college

by the higher net costs they would now have to pay (the cost of education minus somewhat smaller student aid awards), and second, the incentives would decline somewhat for future students contemplating a shift from dependent to independent status.

It is not apparent whether in establishing the BEOG program and setting the dollar amounts required to implement it there was strong Congressional or other interest in accommodating any group other than the typical college-age population. Yet another group would surely be affected, namely, somewhat older people who though qualified to attend college did not attend college during the years when members of their age cohort traditionally attended college.

This older group can be divided into two categories. First, there are those who might have wanted to attend college earlier but whose hopes were frustrated because of inadequate financial resources available to them. One subgroup would have been classified as dependent students, would have qualified for financial aid grants, and, had such grants been available, might well have attended college. Another subgroup would have been classified as independent students, would have qualified for financial aid grants, and had such grants been available they too might have attended college. Second are those who had not wanted to attend college earlier but later saw a need to do so to enhance their career or earnings opportunities. We have the same two subgroups, those who would have been classified as dependent and as independent students. We have one additional subgroup, however, those who would not have qualified for financial aid earlier who might well qualify for it now. In other words, members of this subgroup had the financial resources to attend college earlier without financial

aid and choose not to do so, but they now wish to attend and they require financial aid support to do so. One example commonly cited is single divorced women with limited earning opportunities who must find ways of becoming self-supporting.

With the availability of need-based grants, many members of this older group could qualify for financial aid as independent students and thus attend college. This response would cause enrollments to rise and would at the same time increase the demand for financial aid grant funds. If the total amount of available funds was fixed, as in the previous example, average grant size would have to fall. If the total amount of available funds was not fixed, total expenditures for the program would increase beyond those projected. This suggests, then, that the initiation of the BEOG grants created an incentive to tap into the program for those people who missed their earlier opportunities for higher education or whose aspirations for higher education increased over the years.

Let us try to sum up. If the BEOG program had been set up with funding sufficient only for college-age youth who did not have access to parental resources--i.e., for those students we might call the truly independent--and if the program had the incentive effects just recounted, then the size of the average grant would fall below that which had been projected. The reduction in grant size would be required to support (a) younger students who were induced to become independent because of the availability of grants, and (b) older students who because of the availability of grants return to acquire education they did not acquire at an earlier age when people traditionally attended college. This latter group will necessarily qualify

as independent regardless of their economic status during their college age years.

Reclassification of Dependent Students

What do we know about the extent to which students shift their status from dependent to independent and the effects of these shifts on student financial aid. We ask this question because there is growing concern that some substantial but undefined number of students are taking this action. The evidence, however, is scant.

Gladieux in testimony presenting proposals for changing the definition of independent students, implies that a part of the growth in the traditional college age students eligible for Pell grants comes from "otherwise dependent students in younger age groups--and perhaps their families--making calculated arrangements to qualify as self-supporting for purposes of student aid" (Gladieux, 1985, p. 8). It is odd that the younger age groups are pinpointed because the percentage increases in Pell eligibles from 1976-77 to 1983-84 are even larger for the age groups 23-30 and 30+, than for the under age 23 group.

Attempting to separate legitimate shifts in status from changes designed to circumvent the letter and spirit of the definitions or from student error in reporting dependency status is an extremely difficult task. About all that we know comes from two recent federally-sponsored reports. One is a quality control study of the Pell Grant Program which shows that the most costly type of student error is associated with the reporting of dependency status (Advanced Technology, 1985). The other is the more elaborate General Accounting Office Study which reports that 5.5 percent of student recipients

incorrectly reported their dependency status, 5.1 percent of whom were dependents applying as independents. Of these 3.6 percent had payment consequences, with overawards estimated at $64 million. Based on a total of 1.9 million, Pell grant recipients in 1982-83, this means that approximately 98,000 dependents incorrectly reported themselves as independent students. Based on the estimated error of $64,000,000, this suggests an average error of about $650 for each recipient who reported erroneously (U.S. General Accounting Office, 1985). While these reports are suggestive, they certainly do not nail down the extent of manipulation that apparently goes on. Is there any other way to estimate those responses? We turn next to the California data and then to the Wisconsin data.

The California Data. One way to obtain an indication of the responsiveness of already enrolled students to the incentive to become independent is to observe how the number of independent students varies as the elements of the definition are changed. In this analysis we employ data from the California Survey of Student Expenditures and Resources undertaken in the fall of 1982 and referring to the 1982-83 academic year; there was a 35 percent response to the 68,000 questionnaires sent out (California Student Aid Commission, 1985). Fortunately, the California survey asks for information on the current and three preceding years which are used by California in defining independent students, in contrast to information on only the current and prior year which is collected and used by the Federal Government to determine eligibility for Pell grants. California opted for a more restrictive set of criteria, presumably to

prevent students from switching their status and thereby qualifying for grants under the California grant program.

What happens to the size of the independent student group as we alter the number of years over which these three criteria must apply? Developing an answer requires interpreting the cross-section data as if they reflect the behavior of a cohort of students moving through their undergraduate careers.

Table 2 organizes the data on full-time students so that we can examine a range of possibilities. The first column in the top panel shows the total number of full-time undergraduate students by age. If there were no criteria to limit the number of independent students, all 773 thousand students would be classified as independent. If instead students had to meet the three rules for independence for only the current year, slightly less than 30 percent or 230 thousand would be classed as independent. Tightening the criteria by adding the next prior year, as reflected by the current federal definition of independence produces a further reduction in the number of independent students, down to just below 27 percent or 209 thousand. Adding still another year reduces the total to 23 percent or 182 thousand. And if we apply the California definition--the current year plus three prior years--the number of independent students dwindles to just over 21 percent, or 164 thousand.

As might be anticipated, the effects vary considerably by age. Among those under age 22 the proportion of independent students is small under the federal definition and almost vanishes under the California definition. The number is almost halved for those age 22-24 as we move from the federal to the California definition. For

Table 2

Impact on Number of Independent Full-time Undergraduate Students Altering the Duration of Time to Qualify as an Independent Student

Age	All	Number of Independent Students Based On: Current Year Only	Current Year Status Plus: One Prior Year: Federal	Two Prior Years	Three Prior Years: California
		Number of Thousands			
Under 22	468	43	28	15	7
22-24	134	47	40	32	24
25+	171	140	139	135	132
All	773	230	209	182	164
		Percentage of Full-time Undergrad Students			
Under 22	100	9	6	3	2
22-24	100	35	30	24	18
25+	100	83	81	79	78
All	100	30	27	23	21

Source: Calculated from SEARS data tape.

those age 25 and over, relatively little reduction occurs. None of these results are surprising.

The findings from Table 2 are instructive in gaining some sense for the magnitude of one important behavioral response, i.e., the success of efforts by students to take action to be classified as independent. Under the federal definition we have 28 thousand students under age 22 classified as independent. What does this number suggest about the frequency and success of efforts to acquire independent status? We can think of 7 thousand students becoming independent in the first year, another 8 thousand (15-7 thousand) doing so from the second to the third year, and 15 thousand (43-28 thousand) doing so from the third to the fourth year.

What does this imply about the rate of change? To greatly oversimplify, assume that the 468 thousand students are distributed equally across each of the four years of college. This permits us to calculate rates of movement from dependent to independent status. Thus, we find a 6 percent shift the first year (i.e., 7 ÷ 117), 7 percent for the second year, 11 percent for the third year, and 13 percent for the fourth year. If we apply the same analysis to the age 22-24 group, we obtain considerably higher rates, about 20-25 percent based on changes after the first year. Similar calculations for the age 25+ group indicate rates in the 10 percent range.

How do we interpret these rates, recognizing the numerous assumptions that underlie them? Among those age 25 and above we are forced to conclude that the shifts reflect legitimate changes in status. For the age 22-24 group many of the shifts are to be expected because of the natural transitions that occur in this age period. On

the other hand, some portions of students in this age group have more tenuous connections with their parents (e.g., they may meet two of the independent student criteria). Exactly how they confronted the moral dilemma in filling out their financial aid applications is not at all clear.

Perhaps the clearest evidence comes from the "younger" group mentioned by Gladieux, in this case students age 18-21. The rate of change, averaging about 10 percent per year, no doubt reflects a combination of factors that lead to legitimate independent status for many as well as improper independent status for others. If we assume rather arbitrarily that half the shifts are improper, we have 5 percent of the age group misclassifying itself. If we now make a similar assumption for the age 22-24 age group, we arrive at a 4 percent overall rate of misclassification. Interestingly, these rates are amazingly close to the GAO estimate.

Readers are warned that not only are these calculations merely illustrative of what might be happening but they do not directly confront the question of interest. In any case, the error rates reported could be viewed as amazingly low in light of the abundant opportunities to circumvent the criteria.

The Wisconsin Data. We also have longitudinal data for freshmen entering the University of Wisconsin System in fall 1979. The data base contains extensive information on the characteristics of students when they entered as well as subsequent information detailing their academic progress and financial aid situation. The data are reasonably complete, but because of the way we drew our sample it is difficult to say much about what happened beyond fall 1982.

We can calculate the percentage of students who are dependent and independent each year as well as the transitions from year to year from dependent to independent status. The results are presented in Table 3. The top panel shows the percentage distribution of dependent and independent students for our cohort who received financial aid. The lower panel shows the percentage of dependent students who each year were classified as independent students the following year. The percentages rise steadily through the undergraduate years, much as did our results for California.

Of particular interest is the steady increase each year in the percentage of students classified as independent students. This percentage rises from 5.8 percent for the first period, to 12.1 percent the second period, to 15.0 percent the following period, and to 22.3 percent for the final period.

What kinds of changes are represented by these percentages? We cannot answer that question but some clues are provided from an analysis of freshman-to-sophomore shifts in status. Of the 3648 students enrolled in both years, almost 85 percent maintain the same status in both years, as shown by Column 1 of Table 4. Another 15 percent change their status, but the numbers shifting into the independent category are relatively few. Of the dependent students in 1979, 55 shift to independent status and 11 shift in the opposite direction, for a net change of 44. Of students not classified in 1979 because they were not receiving need-based financial aid, 262 move into dependent status and 81 into independent status. Thus, we observe a flow of 136 into independent status which works out to less than 4 percent of those enrolled both years and to less than 3

Table 3

Annual Distribution of Dependent and Independent Students Who Received Financial Aid in Fall 1979 and Shift of Students from Dependent to Independent Status from 1979-80 to 1981-82

Cross Section Data

	Fall 1979	Fall 1980	Fall 1981	Fall 1982
Dependent	91.2	84.3	76.3	65.2
Independent	8.8	14.7	23.7	34.8
	100.0	100.0	100.0	100.0

Longitudinal Data

	Fall 1979 to Fall 1980	Fall 1980 to Fall 1981	Fall 1981 to Fall 1982	Fall 1979 to Fall 1982
Percent Shifting from Dependent to Independent Status	5.8	12.1	15.0	22.3

Source: University of Wisconsin System, Longitudinal Student Data Base.

Table 4

Shifts in Status from Fall 1979 to Fall 1980 for Entering Freshmen Continuing on as Sophomores
(University of Wisconsin System)

Status	Number Retaining Same Status from 1979 to 1980	Number Shifting into Status in 1980 from Other Status in 1979	Number Shifting into Status in 1980 from Other Need-Based Status in 1979	Number Shifting Out of Status in 1979 to Other Status in 1980	Total Number of Continuing Students	Total Number Not Continuing	Grand Total
Need-Based Aid Recipients							
Dependent	891	262	11[1]		1,164	391	1,555
Independent	65	81	55[2]		201	37	238
Other (Nonneed-Based Aid Recipients and Nonaid Students)	2,134	-	-	123[2] 26[1]	2,283	904	3,187
Total	3,090	343	66	149	3,648	1,332	4,980
Percent of Continuing Students	85	9	2	4	100		
Percent of Original Class	62	7	1	3		27	100

[1]From Independent Status in 1979.

[2]From Dependent Status in 1979.

Source: University of Wisconsin System, Longitudinal Student Data Base.

percent of total enrollment in 1979. In addition, 26 students who were independent in 1979 revert to the not-classified group by 1980 and another 37 independent students do not continue to 1980. Thus, we observe 65 students remaining in independent status, 136 moving into the category, and 48 moving out, for a net influx of 88 students. Again, the rate of net change is quite small. How much of this change is motivated by desires to take advantage of the financial aid system remains unclear.

These preliminary results suggest that the amount of growth that can be explained by efforts of students to take unfair advantage of the availability of financial aid is quite small and unlikely to pose any serious threat to the integrity of the financial aid system. Moreover, we suspect that many of these changes are occurring for older students moving into aid recipient status as independent students.

Whether these results will hold up as we examine shifts as students progress through their undergraduate programs remains to be seen. We hope to have additional results in the coming months as we continue to exploit a rich and useful body of longitudinal data.

Conclusion

This paper describes the expected behavioral responses to the establishment of the independent student category and the apparent growing belief that these responses are becoming increasingly common. It then proceeds to examine the limited amount of available evidence. It concludes that the incentives for students under age 25 to change their status are not that substantial. Moreover, the admittedly scant evidence lends little support to the view that any substantial

proportion of students are gaining more financial as a result of these responses.

This leaves for further exploration the reasons for the substantial growth of older (age 25+) students and the extent to which available financial aid may have stimulated members of their nontraditional age group to return to college.

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Kenneth M. Zeichner
Associate Professor
Curriculum and Instruction

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